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Reading Polanyi in Erbil: Understanding Socio-Political Factors in the Development of Iraqi Kurdistan

Robert Smith

The Kurdistan Regional Government emerges out of the chaos of post-Saddam Iraq as a rare positive, providing both political stability and economic growth. However, the outward display masks a more complex domestic settlement where the trappings of the free market coexist with political parties who are significant economic actors. How can this model of development in Iraqi Kurdistan be explained? Turning to the writings of political economist Karl Polanyi, does his thinking on relations between society and economy offer a way to unpack the development? And what does this analysis tell us of prospects for Iraqi Kurdistan?

Keywords: Iraqi Kurdistan, Kurdistan Regional Government, Polanyi, Iraq

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The 'success' of Iraqi Kurdistan has been a recurrent theme in the retelling of its recent past. Prior to the invasion of Iraq in 2003 Kurdistan was presented by advocates of 'regime change' as the prosperous and peaceful future for post-Saddam Iraq (Ferguson 2008: 8-9). After regime change, as the rest of Iraq descended into lawlessness and violent civil war, Kurdistan appeared as a location blessed with security and political stability. Since 1991, the Kurdistan Regional Government (KRG) had taken opportunities presented to it and a burst of economic activity has transformed the region's capital, Erbil, from a compact city clustered around an ancient citadel to an urban sprawl boasting an international airport, shopping malls, gated communities, and luxury hotels. The KRG supported a campaign to market the region as a tourist destination under the heading of 'The Other Iraq' (Kamen 2006). As civil war eased, the KRG became a centre for investment and business, particularly in the oil and gas sector, where in 2012 it was declared the 'exploration capital of the world' (Kent 2012). When Islamic State emerged as an existential threat to the future of both the KRG and Iraq, it was once again the security forces of Kurdistan that stepped up to face down the foe. Then-Presidential candidate

Donald Trump declared that he was 'a big fan of the Kurdish forces' (New York Times 2016). However, this success may be coming to an end. In late 2017, the KRG was entering a period of crisis that threatened to reverse the gains of the previous twenty-five years. An independence referendum that resulted in a significant 'yes' vote ultimately gave rise to the Iraqi federal government reasserting its right to decide the future of the Iraqi state and its Kurdistan territory. The expulsion of Kurdish peshmerga from Kirkuk in October 2017 sealed a humiliating defeat for the KRG and threatened the future of the regional government (Hiltermann 2017).

How did the KRG move from success to crisis? Contrasted with the rest of the country, Khalil noted a narrative of Kurdistan exceptionalism: in 'the mixed report card on Iraqi progress, one consistent theme is that Iraqi Kurdistan has been a quiet success story . . . a snowy oasis, free from the sectarian strife that has marred the rest of the country' (Khalil 2009). As Leezenberg noted, on first viewing, Kurdistan appeared to be, 'the neoliberal success story of post-Saddam Iraq' (Leezenberg 2005: 631). These perceptions of success informed writings on how KRG had utilised its own nationalist history in the development of a resilient notion of statehood (Richards and Smith 2015): However, as others have also noted, when looked at closely, the narrative of a successful Kurdistan is more complicated (Jabary and Hira 2013). It would take a selective view of events not to notice some of the limitations of the politics, governance and economics in the territory. The much-trumpeted democracy of Kurdistan ran alongside the longstanding dominance of two political parties, the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK), who ruled their respective sections of the region as personal fiefdoms. Freedom of speech coexisted with the violent suppression of protest and the arresting of journalists. In the economic sphere dynamism coexisted with allegations of 'nepotism and corruption' (Ahmed 2012: 110). Kurdistan is complex and this raises the question of how to understand its development.

A more nuanced perspective of Kurdistan's development must highlight that the successes, and some of the failures, of the region, were also closely linked to the dominant role played by the two principal political parties of the region. Deeper still, the analysis

must consider the role of the two families that led these parties. To understand the political economy of Kurdistan, it is necessary to comprehend its political settlement and the social relations that enabled them: the economic and the political cannot be separated. To unpick the puzzle of the success of Kurdistan, while also considering its future development, theoretical guidance is required.

To help with unpacking this, the writings of Karl Polanyi act as a useful tool. Kari Polanyi Levitt summarises her father's work as 'addressing the relationship of the market to the whole of society, including institutions of political governance' (Polanyi Levitt 2017: 390). Of interest in Polanyi's work is his emphasis on the relations between society and economy reflected in his historical analysis of 'archaic' economies. Do these works provide a new way of understanding the contemporary settlement in Iraqi Kurdistan? The dominant narrative of Iraqi Kurdistan is that it represents a success story and an exemplar of a modern dynamic market economy. However, closer inspection through the prism of Polanyi highlights the historical development of state and economy, providing a more nuanced grounding that is needed not only to explain Kurdistan today, but also to provide clues to its future trajectory.

The purpose here is not to engage in an in-depth examination of Polanyi's work, but to use the insights of Polanyi to contribute to the analysis of the economic and political development of KRG. This article first considers characterisations of the state in the Middle East before going on to look at the development of Kurdistan within the modern history of Iraq. Polanyi's work on the political economy of Mesopotamia will be deployed as a way of understanding the role of the dominant political parties in modern-day Kurdistan.

Ancient and Modern: Politics and Society in the Middle East

Before analysing the contemporary settlement of Kurdistan it is necessary to establish some groundwork for how Polanyi and others have characterised politics and society in the Middle East. Looking for evidence of economic activity outside of the market, Polanyi had researched ancient Mesopotamia and the development of the economy in pre-modern times. A model that was advanced during this research with Assyriologist Leo Oppenheim

emphasised the importance of 'palaces and temples' as centres of influence (Oppenheim 1957: 31) Local economies were 'dominated by large palace and temple complexes, which owned the greater part of the arable land and virtually monopolised anything that can be called "industrial production" as well as foreign trade' (Dale 2010: 149 quoting Finley). Polanyi observed that trade in this setting 'was not a two-sided act resulting in a negotiated contract but a sequence of one-sided declarations of will.' These interactions taking place 'within the frame of a governmental organisation and a network of official and semi-official institutions.' (Polanyi 1957: 22-23) Dale notes that the analysis put forward by Polanyi on ancient Mesopotamia was 'less successful than his other forays into comparative economic history' (Dale 2010: 150-2). However, for Polanyi, the importance of the palaces in the ancient economic structures was that they stood apart from the subsistence level of economics that characterised the dominant economic sector, agriculture.

What the palaces allowed for was the creation of surpluses that could be pushed into the 'public' sector. As Dale notes, this upends the models of development that see 'small private scale' trade expand to a 'larger, and ultimately public, scale.' The reverse happens whereby the palaces create surpluses allowing for investment, capital accumulation, and ultimately entrepreneurial innovation (Dale 2010: 159-60). Hudson states this results in the capturing of the commanding heights of the economy by individuals in the palaces: 'Rulers and their bureaucracies . . . behaved simultaneously in public and private ways. Their "public" position could readily be transmuted into private advantage, the temple and palace officials exploiting their powers for personal material gain' (Dale 2010: 160 quoting Hudson). During these periods of palace rule, 'significant privatisation dynamics were in play, centred on the palace bureaucracy.' Eventually, these periods of development controlled from the centre would pass as the economic activity created the environment in which 'public business activity regained its customary upper hand' (Dale 2010: 151-2 quoting Oppenheim).

Echoes of Polanyi's research into pre-modern Mesopotamia can be found in contemporary accounts of the state in the Arab world. Ayubi argues that how a state organised itself and what values it espoused reflected the economics, society, and culture

of the region. One of the factors that made the state in the Middle East different for Ayubi was the basis of its economy, which was described as 'the tributary mode of production' (Ayubi 1995: 58). Initially the economy was dominated by agriculture, tribute was extracted from tribes by central authorities. The role of the state in this process was one of 'distribution and circulation' of the tributes (Ayubi 1995: 58). Through this practice, classes become 'excessively dependent on the state,' and the success or survival of a class was dependent on their relationship with the state. This process and the resulting relationships inform the organisation of the state. Therefore, according to Ayubi, ' . . . politics in such a society is not characterised by the orderly process of aggregating demands but by acts of capturing the state and acts of resisting the state' (Ayubi 1995: 25). Given the centrality of the state to the political process and individual prosperity that is linked with it, those who achieve power work hard to hold on to it, becoming consumed by strategies for maintaining it, with the individual or group who challenges the status quo viewed as 'a threat.' The result is that states are strong in terms of coercion but often weak in terms of popular support and legitimacy (Ayubi 1995: 23). Ayubi argues that as the Arab state expanded in size and scope, the space for these non-state opponents diminished. Colonial rule simply inherited and then refined these techniques (Ayubi 1995: 24).

Both theoretical accounts of the state, ancient and modern, emphasise the dominance of central authority. With the 'palaces and temples', change is gradual as the economic forces unleashed slowly replace the existing order. With Ayubi's model, opposition to the dominant order is suppressed and change relies on a confrontation over reform. In Iraq, confrontation to the existing order came with the revolution in 1958. However, the revolution proved more effective at changing the leadership of the centralised state rather than altering its structure. The growing economic importance of the oil sector allowed the state to expand in 'size and scope' but the centralisation of power remained. As Davis notes when describing the Baath Party seizure of power in 1968 the '[Iraqi] political system failed to develop enduring political institutions . . . [w]ithout political institutionalisation, politics reverted back to subnational groups based on tribal,

ethnic or regional identities' (Davis 2005: 153). There was no incentive for rulers to move away from this model of statehood and it remained in place, growing 'more exclusionary and more tightly consolidated' (Ayubi 1995: 426). Therefore, it can be stated that the historical development of the Iraqi state had resulted in the intertwining of social, economic and political structures: a system that favoured limited circles of power based on tribalism, ethnicity, and regionalism. Power resides in these relations.

Polanyi aids in deciphering the economic and the political: '... the anthropologist, the sociologist or the historian in his study of the place occupied by the economy in human society was faced with a great variety of institutions other than markets, in which the sphere of man's livelihood was embedded' (Polanyi 1953/1959: 218). In the case of Iraqi Kurdistan, the variety of institutions are less about the state and more about the role of political parties. The domination by political parties in Iraqi Kurdistan resulted in the ascendancy of two families, where the sphere of economic development and political control can be located. To understand the development of Kurdistan, these relations must be considered.

Becoming Kurdistan: Political tribes and tribal politics

As Polanyi states, analysis requires historical perspective. The modern history of Iraq begins with the attempt to map out a national identity for the new territory. The irony of this was that as Iraq sought to establish its own identity a coherent nationality was already being articulated in the Kurdish-dominated north of the country. The British government, ruling the territory under the mandate system, was already reporting in the mid-1920s that Kurdish engagement with the political processes of the mandate was driven by a 'desire to get British support for a Kurdistan free from Turkish influence than any solidarity with the Iraqi government: many Kurds still hankered after a wholly independent Kurdistan' (Sluglett 2007: 63). As the new state of Iraq took shape the British incorporated both coercion and economic incentive to gain sufficient control over the territory to fulfil the mandate. Inspired by the model of rule used in India, the British sought out and, in some cases revived, tribal groupings to provide cost-efficient governance. The tribal

leaders fulfilled the dual role of landlords and law enforcement. They were the 'socio-political backbone' of mandate-era Iraq (Ayubi 1995: 95). This created opportunities for local tribal leaders to either cooperate or oppose colonial rule. In Kurdistan, local tribal leaders worked to maintain their autonomy of action from the British and from central powers (Tripp 2002: 34-6). In the 1930s, Mullah Mustafa Barzani, of the Barzani tribe, emerged as the leader of Kurdish resistance to rule from Baghdad. Driven by the desire to maintain the autonomy of his tribe, but also influenced by an emergent Kurdish nationalism, he would maintain this position until his death in 1979 (Sluglett 2007: 152).

Most interesting to note from this period of state formation in Kurdistan was the struggle between nationalism and tribalism in the disputes with Baghdad and the British. The tribal groups, linked as they often were to the ownership of land, could be conservative groupings resistant to radical reforms. But in Kurdistan, their desire for autonomy made them actors for change. When Barzani led a revolt against the wartime control of the British in 1943 it marked a turning point in the politics of Kurdistan. Stansfield notes that this revolt was the point when, if 'Barzani did not choose nationalism, the nationalists chose him . . . [f]rom 1943 onwards, it is increasingly apparent that the nationalists are less inclined to be used as pawns in tribal politics, and attempt to exploit tribalism for their own agenda' (Stansfield 2003: 63). The nationalist political narrative was formalised in the creation of the KDP in 1946, with Mullah Mustafa Barzani named as its President-in-exile.

The KDP would dominate the politics of Kurdistan nationalism for the next thirty years. During this period there were significant advances for the Kurdish cause within Iraq. The revolution of 1958 produced a constitutional settlement that recognised that Iraq was both an Arab and a Kurdish state. Barzani could return from exile to lead the KDP from Iraqi Kurdistan, but there was no immediate transfer of power from Baghdad to Erbil in this new era. As under previous rulers, the Iraqi Kurds became an irritant for the government of Baghdad as a series of conflicts unfolded. During this period, whichever group found itself in power in Iraq recognised that it would struggle to bring a military solution to the Kurdish question. Equally true for the Kurds was the fact that they alone

did not command sufficient power to force a solution on Baghdad (Sluglett and Farouk-Sluglett 2003: 81).

The early 1970s was a difficult but significant period in the development of the modern KRG. In 1970, Baghdad had agreed to allow for autonomy in the territory where a majority Kurdish community existed. This began the process of establishing the reach of the contemporary KRG. However, when progress towards this goal stalled, Barzani once again took up arms. The military defeat that KDP forces suffered in 1975 was calamitous. In its aftermath, a split occurred within the nationalist movement. In June 1975, the PUK was established to pursue a more overtly revolutionary path towards Kurdish autonomy. The new party was led by Jalal Talabani and inspired by the actions of 'Third World' liberation movements. The PUK set itself out as a left-wing party that contested the traditional conservatism of the KDP and its tribal leadership. The PUK rejected 'the right of an individual family, the Barzanis, to head the Kurdish national movement' (Stansfield 2003: 86). The division that the PUK highlighted was not only political but was also cultural, a divide between the urban and rural, the modern and the traditional. Stansfield notes that this 'enhanced segmentation' of the area would remain as 'a major obstacle to the unification of the region' and of its governance (Stansfield 2003: 86). However, despite the PUK rejecting rule by family, their own organisation would, in turn, become dominated by the Talabani family and in the future Kurdistan would emerge from the competition between these two familial groupings. Following the death of Mullah Mustafa Barzani in 1979, his son, Masoud, assumed the leadership of the KDP, a role he still holds.

The position of power that the KDP came to hold within Iraqi Kurdistan, which later they would again turn into economic advantage, is built on their positioning in the long struggle for autonomy. In this struggle, Mullah Mustafa Barzani became the 'father of the nation' bestowing legitimacy on the KDP. While this singular narrative is challenged by the formation of the PUK, it is never entirely removed. The KDP is legitimised by its historic struggle.

The state in Kurdistan: divided governance

The 1970s was a period of rapid economic modernisation within Iraq. The nationalisation of the oil sector had arrived prior to two major spikes in the price of oil. Iraq had been able to invest in public goods because of its oil wealth through most of its modern history, but the growth in the 1970s was quantitatively different. The new wealth allowed the state to implement large-scale development projects. Provision for education and health care improved; electrification projects reached out to villages; transport infrastructure was expanded; telecommunications was upgraded; there was state-led industrialisation; and large-scale housing projects were built. Amongst developing nations, Iraq was 'a relatively strong state, an elaborate bureaucracy and a government that because of its expanding oil income was relatively autonomous from society' (Leezenberg 2005: 63).

The increase in national oil revenue had a mixed impact on the economic outlook for Kurdistan. The new money coming into the national economy allowed for the expansion of the state. Kurdistan was not immune from these changes and there was a dramatic growth in either direct or one-stage removed government employment. However, the investment that came with oil production was limited to the sites of production. In the north of the country, this was mostly concentrated in Kirkuk. Iraqi government industrial projects that sought to diversify away from oil production were mostly located outside of the Kurdistan region. Official figures in 1987 stated that only 4.9 per cent of Iraq's heavy industry was in Kurdistan. In 1990 the region only contained nine 'major factories' with these concentrating on the production of cement and cigarettes (Leezenberg 2002: 290). The most productive sector of the economy in Kurdistan had been agriculture. In 1980, it was still producing nearly half of the wheat in Iraq (Stansfield 2003: 42), but agriculture by this point was in decline. Its previous dominance was affected by the growth in urban employment which drew agricultural workers away from the land and the new prosperity which enabled Iraq to import foodstuffs. Oil wealth had resulted in an economic settlement in Kurdistan that was 'overwhelmingly agrarian in terms of employment, but dependent financially upon the distribution of oil revenue' (Stansfield 2003: 44).

Thus, the Kurdistan region was already struggling with structural imbalance. These economic problems worsened when Saddam Hussein assumed the presidency of Iraq. A decade of conflict followed. War with Iran halted the oil revenue that had expanded the Iraqi state through the 1970s and the genocidal Anfal campaign, beginning in 1988, dispersed and destroyed the rural communities that maintained the agrarian economy within Iraqi Kurdistan. This dislocation within Kurdistan meant the centres that survived were now more dependent on the state to maintain economic activity. Almost immediately after the Anfal campaign ceased, Iraq was once again plunged into economic turmoil as UN sanctions were imposed following the annexation of Kuwait in August 1990.

The economic and physical destruction that the Gulf War visited on Iraq after 1990 provided the starting point for the development of the present-day KRG. When the Kurdish 'safe haven' was established through a combination of internal agitation and external intervention the economic prospects were terrible. As noted, the agricultural sector had been badly disrupted by the Anfal campaign. In addition to this, the Kurdistan region was now cut off from central government funding as it lived through the period of dual sanctions: referring to both international sanctions imposed on Iraq by the UN and internal sanctions imposed on Kurdistan by Saddam's government in Baghdad. Government employment in Kurdistan, that had accounted for much of the economic activity, gave way to a period when the state had a limited role in the economy, allowing for a private informal sector to emerge (Stansfield 2003: 57).

The most notable political development at this time was that the groups attempting to re-establish government in Northern Iraq chose to hold elections to decide on the composition of the new assembly for Kurdistan. This was an innovation for Iraq and for much of the Middle East. Elections were held in May 1992 and voting was dominated by the two nationalist parties, the KDP and the PUK. The elections were rudimentary but seen as fair. The result ended in a rough fifty-fifty split between the KDP and PUK. Where the introduction of elections had produced a degree of transparency, what followed would set the template for future politics. Without a clear victor, government posts were shared out between the two parties. The leaders of the two parties, Masoud Barzani and Jalal Talabani,

did not take up positions in government. The two were the most powerful political actors in Iraqi Kurdistan and the most visible representatives of the region internationally. Yet neither held government posts. Power in the new Kurdistan would remain within the hands of the political parties rather than any new institutions that would be established. Government posts divided between the two parties became centres of power and patronage. When the haggling was completed, government posts reflected the geographical spread of support for the two parties: the KDP in control of the western half of the region and the PUK in charge of its eastern sector.

Cut off from the rest of Iraq and having no official international status, the economy subsisted on smuggling, with petroleum products being the most profitable sector. The KDP was left in control of the more lucrative crossing between Kurdistan and Turkey, while the PUK controlled the border with Iran. Some of the income from the smuggling operation went to the Kurdistan Central Bank, but in addition to this, the two parties also took their share of the duties being charged (Leezenberg 2002: 307). Both parties sought to maximise their revenues from the smuggling routes and disputes over who controlled which routes were part of the basis for a civil war between the two, that began in 1994 and continued at different levels of intensity through much of the rest of the decade (Graham-Brown 1999: 225). At various times Baghdad and Tehran interfered and it took the efforts of the United States to bring settlement between the KDP and PUK. The conflict eased when Kurdistan was effectively divided into 'two one-party statelets under the control of the KDP and the PUK, respectively' (Leezenberg 2005: 632).

This settlement only strengthened the role of the parties in the economic process, undermining the possibility of stronger institutions emerging from the centre of the new state. This tendency was reinforced by the main international economic input in this new settlement, humanitarian aid. Conforming to the norms of the times, humanitarian agencies sought out NGOs rather than state bodies to deliver aid. The practice pushed more funds into groups linked with either the KDP or the PUK. More funds flowed in after the UN Oil-for-Food Programme was agreed in 1995, guaranteeing the Kurdish region a 13 per cent share of humanitarian aid coming into Iraq from limited oil sales. While it took

time for the practice to match the promised funds, when the additional aid eventually reached Kurdistan it proved beneficial to the local economy (Aziz 2015: 12). What was beneficial for the economy, was inevitably beneficial for the political parties. This enabled the political parties to act as state-like bodies, collecting tax, distributing aid, and maintaining security. The safe havens period created a 'bubble' for the establishment and embedding of what has become today's Kurdistan economy.

By the end of the 1990s, finance was entering the Kurdistan region and circulating through formal and informal structures. Revenue from the informal economy flowed towards the political parties and towards the 'individuals high up in the party hierarchies' (Leezenberg 2002: 308). The period between 1991 and 2003 had at times been economically precarious for the Kurdistan region, but as the period came to an end this was no longer the case. In 2004, the population of the Kurdistan region enjoyed a per capita income that was approximately 25 per cent higher than anywhere else in Iraq (Aziz 2015: 13).

The development of the Kurdistan region during the period after 1991 resulted in a complex settlement. During this time there was more entrepreneurialism in Kurdistan than was witnessed elsewhere in Iraq. However, much of this entrepreneurial activity was connected to and controlled by the parties of government. Therefore, we must acknowledge and bring into the analysis that the market is influenced by the society that hosts it: 'Man's [*sic*] economy is, as a rule, submerged in his social relations' (Polanyi 1969: 65).

Polanyi is useful to consider the complex socio-political network that makes up the functioning of a modern economy. He reminds us that economic relations are the result of cultural legacy, shared history and societal relations, and thus understanding economic development demands also understanding social and political developments. Nowhere is this more evident than in his focus on the sway of catallactic logic—the science of exchanges—within a substantive meaning of the economy where trade and money are functions of the market forming a conceptual triad to argue that 'the human economy is an instituted process' (Polanyi 1953/1959: 168). In Kurdistan, business is carried out

between companies because of familial or political allegiance and these social and political structures thus become instrumental to the establishment and strengthening of economic structures. The market in Kurdistan, as we have seen, has been shaped by recent and distant history. The nationalist movement is dominated by tribal groups. Political competition is created by the break-up of the dominant grouping to create a political settlement that has two dynastic families. When these competing forces join to control the Kurdistan region, they inherit a broken system of governance that allows them to insert themselves into the state beyond the reach of government. They also insert themselves into economic activity.

As the next section will further explain, even when contemporary economic activity takes place, carried out by the new entrepreneurs of Kurdistan, it is 'embedded' in society. Or, as Polanyi more elegantly puts it: 'instead of economy being embedded in social relations, social relations are embedded in the economic system' (Polanyi 1944/1957: 57).

After 2003: capitalism with Kurdish characteristics

The end of Saddam Hussein's regime in spring 2003 was a period of opportunity for the region after decades of oppressive rule from Baghdad. The KDP and PUK started to play a significant role in shaping the political settlement for post-Saddam Iraq. It was important for the Kurdistan leadership to protect the autonomy that they had gained after 1991. The removal of Saddam Hussein from power would not result in the KRG being reincorporated into the Iraqi state. When the constitution settlement was reached in 2005, it was for a federal Iraq where governorates could link up and rule with significant freedom in their defined territory. At present this right has only been exercised by the KRG.

In the brief period of American-led statebuilding within Iraq, Kurdistan remained largely untouched by any attempts at reshaping government or economic structures. If the United States did entertain serious plans to restructure Iraq, these were soon undermined by instability in the rest of the country. The attempts of the Coalition Provisional Authority (CPA) to introduce new business regulations and laws had limited impact when applied to commerce in Iraq and it is difficult to discern any significant impact

in the Kurdistan region. In the chaotic aftermath of regime change, Kurdistan was soon looked on as an area of calm. There were no significant security problems within the region and unlike the rest of the state, the governance structures that had existed before March 2003 remained in place. The occupying forces could send the Kurdistan region its monthly budget, confident that the money would be spent and services would be provided to the population. The period of CPA oversight built on the investments of the UN Oil-for-Food period and, thus, Kurdistan emerged as a new centre of prosperity in modern Iraq.

The period immediately after regime change was therefore important politically and economically. The political leadership solidified the gains made during the 'safe haven' decade and the Kurdistan region benefited from the increased funding that came from the lifting of UN sanctions and the newfound ability to encourage international investment. Elections held in Iraqi Kurdistan in 2005 rewarded the two established parties. In 2006, the KRG began drawing up new investment laws that would be more generous than those found elsewhere in Iraq. Iraqi Kurdistan marketed itself as a gateway to investment in the rest of Iraq labelling the regional capital, Erbil, as 'the new Dubai' (Hamid 2012).

But much as this political stability and economic growth built on the achievements of the period of autonomy in the 1990s, they also inherited some of the weaknesses of that period. Soon after the introduction of the new investment laws aimed at foreign companies it was noted that business in the Kurdistan region still depended 'heavily on party affiliations and connections' (Khalil 2009: 34). In 2015, the anti-corruption NGO Transparency International noted that while levels of corruption in Iraqi Kurdistan were lower than in Iraq, they remained higher in comparison with other states in the region. The dominance of the political parties in Kurdistan created, 'risks of nepotism and clientelism based on political party affiliation, tribal kinship and/or family connections' (Pring 2015). The business laws of 2006 resulted in significant investment in the region and, between 2006 and 2013, infrastructure projects brought more than \$30 billion to Kurdistan. However, much of the money has, 'reportedly been awarded to those close to the dominant political parties' (Sahin 2015: 102).

There were many examples of the role that the political parties played in everyday commerce but possibly the most obvious came in the telecommunications market where the KDP and PUK ran rival mobile phone networks. Kurdish businessman Faruk Mustafa Rasool began his Asiacell telecommunications company in the 1990s when he smuggled the components for a mobile phone network into the Kurdistan Region. An early investor in Rasool was the PUK, which saw that a successful communications firm would allow Sulaymaniyah to contact the rest of the world. The extent of the PUK investment is a source of conjecture with figures ranging from 3 to 20 per cent (Wall Street Journal, 2007). The rival phone network in the KDP sector, Korek Telecom, disputed Asiacell's claim to be the pioneer of mobile services in the region. However, as with their Sulaymaniyah rival, close party ties were apparent. The chair of the company is Sirwan Barzani, 'the nephew of Masoud Barzani, the KRG president and KDP leader' (Hamid 2012).

While both can claim to have led the way in bringing mobile communications to Iraq, a vital service in a nation recovering from conflict and with a disrupted infrastructure, they failed to enable Iraqi Kurds to communicate directly between their two largest cities, with Asiacell blocked in Erbil and Korek locked out of Sulaymaniyah. Plotting the emergence of the Kurdistan state, Lawrence noted that, while this dispute was 'probably not the dirtiest . . . in Kurdistan, just the most obvious,' before adding, the prominence of the Barzani name highlighted the involvement of the KDP in questionable business practice. The PUK was just as responsible for problematic dealings, 'but with more than one family name in the party, it looked less obvious' (Lawrence 2008: 305).

With the political parties acting as strategic investors in the economy, it was not surprising that they should be linked with Iraq's most significant resource: oil. As has been noted, during the time of the safe haven, Iraqi Kurdistan survived through smuggling oil products. The most lucrative route, via Turkey, was controlled by the KDP. In 2002, the leadership of the PUK moved beyond smuggling into the realm of oil production, encouraging Turkish businessman Mehmet Sepil to take on the Taq Taq oil field located to the west of Sulaymaniyah, the main city within the eastern PUK controlled sector. The choice of Sepil was notable because he was not from an established oil company but

instead the head of a construction firm. This selection of an industry outsider to begin the extraction of oil in Kurdistan may well have been a reflection of the questionable legal status of such a project. An established international oil company would have been wary of striking a deal with what, at the time, was a non-state body. Sepil, however, went ahead established a new company, Genel Enerji, and agreed to a Product Sharing Contract (PSC) with the PUK (Hurriyet Daily News 2012).

The PUK had been the first party to move into oil production, but it was not the last. From 2006, the KDP began to play a significant role in the further exploitation of the resource as the KRG sought to encourage oil exploration in the territory. Appointed in May 2006, the Natural Resources Minister for the KRG, Ashti Hawrami, was aligned with the KDP (Mills 2016: 8). Hawrami successfully used PSCs to encourage international oil companies to invest in the potential of Kurdistan, dividing the territory up into a series of exploration blocks. Mills notes that this economic success was linked to politics. 'The KDP's control over the oil portfolio has been extremely important in increasing its powers versus the rival PUK. It makes them the key interlocutors with Turkey and gives them access to additional sources of funding and patronage.' Despite the success of the KRG in attracting oil companies into the region, there was little transparency about their dealings, Hawrami was subjected 'to allegations of corruption and mismanagement' (Mills 2016: 31).

In 2006, the US Department of State in Kirkuk documented how the different components of the KRG interacted. Highlighting 'corruption' as the greatest threat to the future of the region, the State Department noted that corruption began at the top and from the 'two ruling parties' and 'family-clan' ties (US Department of State 2006). The political parties dominated the KRG making 'judiciary and legislature' subordinate to their rule (US Department of State 2006). Corruption came from 'the godfathers', individuals with close ties to party leadership and party security forces. This meant that business rarely crossed party boundaries, companies would do business in either Erbil, with the KDP, or Sulaymaniyah, with the PUK. Without a 'godfather' it is difficult to do business. In Sulaymaniyah, without help, a business would 'not even receive the tender advertising the project' (US Department of State 2006). The result was an economy dominated by

'vertically integrated cross-sectoral conglomerates' which were linked to 'godfathers' in the dominant parties. The State Department identified an array of such conglomerates: Diyar Group, Eagle Group, Falcon Group, KAR Group, Nasri Group, Sandi Group, Silver Star Group and Ster Group. Signage for these conglomerates could be observed around Erbil from hotel sites to business parks to private security companies. This was not by chance. The corruption was such that for the companies to succeed they needed to control all aspects of business from the import of materials and shipment to construction to protection. The burst of construction that was changing the skylines of Kurdistan was the result of conglomerates overseen by 'non-competing "godfathers" in the local ruling party' (US Department of State 2006).

The modern palaces of Kurdistan

The Iraqi Kurdistan that emerges in the early twenty-first presented a puzzle. Outwardly, it is a prosperous enclave benefitting from a sustained period of peace and stability. At election times it displayed and still displays a vibrant political culture. However, despite this outward display of vibrancy and plurality there appeared to be little possibility of change. Political parties may lose popularity, as the PUK did, but they never lost power.

Deciphering Kurdistan through Polanyi offers new openings for analysis. Starting with the observation that 'normally, the economic order is merely a function of the social order' (Polanyi 1944/1957: 71) The modern territory of Kurdistan can trace its history to the uprising against Saddam Hussein in 1991. This presented a unique set of circumstances in which to construct governance and economic structures. But the KRG did not begin in 1991, it was the culmination of a long historical process. The political actors that took control following the uprising owed their legitimacy and position to the history of Kurdish nationalism that stretched back to the early twentieth century. This history had built networks of influence and security forces that were loyal to them. It had established social orders that had withstood the wars of Saddam Hussein and the genocidal Anfal campaign. This social order was replicated in the economic development that would follow the creation of the safe haven for the Iraqi Kurds.

Polanyi, therefore, provides a basic starting point for analysis. But there are some limitations. The hope that Polanyi holds out that a 'double movement' will occur and society will protect itself from the perils inherent in a free market (Polanyi, 1944/1957: 76) is difficult to envisage within the economic setting of Kurdistan. Here, the insights of Ayubi are worth repeating. The structures of the state in the Arab world bring power to the centre. Those who attain power devise strategies to maintain it, alternate voices can only challenge the state through confrontation rather than through the 'orderly process of aggregating demands.' As Ayubi highlights in this process of state formation, 'classes [are] excessively dependent on the state' (Ayubi 1995: 25). Success and advancement in Kurdistan is an outcome that is influenced by proximity to the leadership of the two dominant political groupings.

While the 'double movement' thesis may struggle with the reality of Kurdistan, Polanyi's research of the pre-modern economy of Mesopotamia provides a new way of thinking about the development of the economy in the territory after Saddam. The KRG emerges from a rare confluence of circumstances in 1991. The region was effectively isolated from international trade and national interaction through a regime of double sanctions. The economy survived through smuggling and humanitarian aid. Both streams of income were controlled by the dominant political parties. The territory established new governance structures, but power and wealth resided outside of these in parallel institutions linked to the political parties. A civil war between the KDP and PUK, in 1994, formalised the geographical division of the territory and enhanced the power of the parties over their separate enclaves.

It was during this period that the actions of the two parties began to show some similarities to the 'temples and palaces complexes' analysed by Polanyi. The palaces commanded a significant role in the pre-modern economy. They established the terms of trade which enabled competitive exchange and interactions that were guided by 'custom and treaty'. More interestingly, for the development of Kurdistan, the pre-modern palaces existed outside of the subsistence sector the economy. The palaces produced economic surplus. The surplus was reinvested in the economy either for the public good or private

gain. Echoes of this could be found in the emerging economy of Iraqi Kurdistan where the political parties were closely linked to new business. The relative isolation of the Kurdistan territory from the global economy was an additional advantage. The political parties maintained significant control over access to the territory and its economy, putting them in an advantageous position to broker deals and to gain benefit.

When regime change brought an end to rule by Saddam Hussein, the structures established in times of scarcity benefitted as the global political economy explored investment opportunities in 'the other Iraq'. Returning to the palaces and temples complexes described by Polanyi and Oppenheim, Hudson argues that they represented a form of privatisation of public wealth. The palaces created the environment for the entrepreneurs, but these private actors owed their opportunities either to their position within the ruling elites or to their close ties to them. The palaces brought progress, but the cost of this is an economy that revolves around societal relations. The risk in this mode of development is 'corruption [that] underpinned a privatisation process that was initiated and propelled by ruling families, warlords and other powerful individuals at the apex of the social pyramid' (Dale 2010: 160 quoting Hudson).

It is difficult not to detect echoes in the contemporary palaces of Kurdistan. The structures established in Iraqi Kurdistan during the period of relative isolation have been engorged by foreign investment and 'these shifts have helped develop the region'. But this development has also 'led to extreme social inequalities [and] rampant corruption at the highest levels' (Hassan 2015). Polanyi forces us to consider the relationships between society, economics and politics. Kurdistan, with its complex interweaving of the personal and political and the public and the private, provides a compelling case study.

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